

HONOLULU ADVERTISER (HI)

31 September 1984

Rewald arrested in L.A. after 100-count indictment by U.S.

By James Dooley
Advertiser Staff Writer

Businessman Ronald Rewald, who for the past year has maintained that his collapsed \$22 million investment firm here was a CIA front, was arrested in Los Angeles yesterday after a Honolulu federal grand jury indicted him on 100 counts of criminal conduct — including fraud, perjury and tax evasion.

The indictment alleged that of \$22 million in investor funds taken in by Rewald's company — Bishop Baldwin Rewald Dillingham and Wong — from 1978 to 1983, only some \$600,000 was actually invested.

Rewald allegedly spent \$5.5 million on himself "to maintain an exceptionally lavish lifestyle," which included the expenditure of \$270,000 "to women who engaged in social and sexual intercourse with the defendant Rewald," the indictment said.

And the grand jury charged that Rewald committed perjury when he filed sworn documents in federal court here stating that his firm was created for, and operated at the direction of, the Central Intelligence Agency.

"At all times the defendant Ronald Rewald intended to deprive investors of their money; and was not acting at the direction of the CIA when he made misrepresentations and omissions of material facts in his dealings with investors and taking their money," the indictment said.

"The CIA never supplied money to the defendant or BBRD&W other than approximately \$3,000 to reimburse Rewald for business expenses such as the rental of a telephone and a telex machine and the printing of business cards," the indictment said.

That conformed with statements made over the past year by Thomas Hayes, appointed by federal bankruptcy court here to take over BBRD&W in August 1983 after Rewald attempted suicide and the company went belly up.

Hayes has consistently said that the CIA used Rewald's

firm and related companies to provide commercial cover for one or more CIA agents and as a receiving point for limited CIA telex and phone messages.

Hayes and others have maintained that Rewald established personal relationships and ingratiated himself with several CIA agents and former agents to give an impression of much more extensive CIA involvement than actually existed.

Simultaneous with the return of the indictment here, FBI agents arrested Rewald in Los Angeles. He was being held in lieu of \$50,000 bail last night at Terminal Island federal prison.

A federal court hearing to arrange for Rewald's return to Honolulu was expected to be held today in Los Angeles.

Rewald has been living on the Mainland since May. State Circuit Judge Robert Chang allowed Rewald to seek employment on the Mainland after Rewald's attorney argued that his client couldn't find work here because of publicity about his legal problems.

He has been free on \$140,000 bail posted after his arrest on the theft charges. A state grand jury is continuing its own investigation into Rewald's activities here and is reportedly preparing a massive criminal indictment of its own.

The federal grand jury investigation of Rewald and his associates is continuing, with additional indictments expected to be returned.

Rewald told The Advertiser in a phone conversation Tuesday night that he expected to be indicted soon by the federal grand jury here. But he continued to maintain that the CIA was behind his business activities here.

"They're operating so much in the dark out there (in Hawaii), they just don't know what's going on," Rewald said.

"This whole thing is going to be handled in Washington," Rewald said.

He said he has been working for a "communications company" in Los Angeles, but said his work did not "involve sales or finance." He said his wife and children were due to join him in Los Angeles next week.

"It will be the first time we'll all be together since things fell apart," Rewald said.

Yesterday's indictment charged Rewald with offenses that included mail and wire fraud, making false statements to the Securities and Exchange Commission and IRS, perjury, falsely advertising that investment accounts at BBRD&W carried \$150,000 federal insurance, interstate transport of stolen securities or money, and tax evasion.

Rewald came to Hawaii in 1976 from Wisconsin, where he had gone through personal bankruptcy and was convicted of a petty theft offense that year.

He opened an office here of a business consulting firm which he had actually started with another man in Milwaukee.

In 1978, in association with Sunlin L.S. "Sunny" Wong, Rewald established BBRD&W, opening a lavish suite of offices in downtown Honolulu.

Wong has since pleaded guilty to federal criminal charges and has been cooperating in the ongoing investigation.

The "Bishop, Baldwin and Dillingham" names were included in the corporate title "in order to create the false impression that these (prominent Hawaii) families were associated with BBRD&W," the indictment alleged.

The indictment charged the company made numerous misrepresentations to potential investors in soliciting funds from the public.

From 1978 through July 1983, the company took in \$22 million from hundreds of individual investors, most of them in Hawaii and California.

"Only approximately \$623,000 of the approximately \$22 million taken in by BBRD&W was used for investments" that were "speculative" and yielded "virtually no earnings," the indictment said.

The money was used for a variety of other purposes, the indictment said, among them to pay money back to certain investors as "earnings" in order to "give the illusion that investments had been made."

Money was also spent to

"create and maintain a false facade of legitimate investment activity" and to "pay others, who together with Rewald engaged in activities which gave the impression of substantial investment activity," the indictment said.

And Rewald spent a total of \$5,578,000 "for his own personal benefit and expenses," the grand jury charged.

Among the expenditures listed were:

- \$270,000 "which he paid to women who engaged in social and sexual intercourse with the defendant Rewald."

Specific examples of payments were not listed. One man familiar with the investigation told The Advertiser that Rewald lavished gifts, dinners and cash on several women in Honolulu, but that most of these relationships appeared to be more social than sexual.

- \$256,000 for polo expenses and another \$264,000 for the purchase and care of a string of horses.

- \$719,000 for the purchase, repair and maintenance of residences, principal among them a palatial home on Kalanianaʻole Highway near Kuliouou Valley.

- \$467,000 on automobiles.

- \$2,370,000 "for a variety of additional personal expenses."

- \$669,000 for sporting goods companies that Rewald controlled.

He was charged with failing to report \$1.2 million in personal income received from 1979 through 1981, and failure to pay taxes on that income of \$632,000.

U.S. Attorney Daniel Bent said Rewald faces prison time that extends well beyond his natural life, as well as fines exceeding \$500,000.

He said the case was handled by four government attorneys.

The FBI and IRS investigations are believed to have cost the government in excess of \$2 million so far. The agencies tracked virtually every single check that passed through Rewald's corporate and personal bank accounts, a staggering task. Checks which were traced included original checks from investors, to determine if any of those funds came from the CIA.

The FBI employed 14 full-time agents on the case, purchased expensive computer equipment and assigned numerous clerical and secretarial personnel to assist the investigators.